

## State of California

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**Legislative Change No. 01-16**

Bill Number: SB 75XX Author: Ortiz Chapter Number: 01-5

Laws Affecting Franchise Tax Board: Revenue and Taxation Code Sections 17073, 17208.1

Date Filed with the Secretary of the State: October 1, 2001

**SUBJECT:** Equipment Loan Interest Deduction for Energy Efficient Products

**Senate Bill 75XX (Ortiz), as enacted on October 1, 2001, made the following changes to California law:**

Section 17073 of the Revenue and Taxation Code is amended.

This act modifies the calculation of California taxable income to specifically provide that interest paid or incurred on a loan financed by a utility company under Section 17208.1 will not be subject to the 2% adjusted gross income (AGI) floor limitation on certain miscellaneous itemized deductions.

Section 17208.1 of the Revenue and Taxation Code is added.

This act allows interest paid or incurred on a loan financed by a utility company to be deducted as an itemized deduction for state purposes. The interest deduction will apply only for energy efficient equipment and products purchased and installed in a qualified residence located in California.

This act defines "energy efficient product or equipment" as any product or equipment certified by a publicly owned utility that improves energy efficiency. Energy efficient products or equipment include, but are not limited to, heating, ventilation, air conditioning, lighting, solar, advanced metering of energy usage, window, insulation, zone heating products and weatherization systems.

This act allows the taxpayer to claim only one tax benefit for interest payments deducted under this bill, thus preventing the taxpayer from claiming an additional deduction or credit for the same interest payments.

This act requires a publicly owned utility company to issue a federal Form 1098 or similar form that will notify its customers of the amount of interest that can be deducted under this act's provisions.

Bureau Director

Jana Howard for BP

Date

October 12, 2001

This act also provides statements of legislative intent to do the following:

- Encourage public utilities to inform their customers in writing about the deduction provided by this bill,
- Encourage public utilities that do not offer financing for energy efficient products to inform their customers in writing that interest on a home equity or home improvement loan may be tax deductible, and
- Inquire with the Internal Revenue Service (IRS) about whether the loan program administered by the Sacramento Municipal Utility District (SMUD) would qualify for an interest deduction under federal law and regulations.

This act is effective upon chaptering and operative for taxable years beginning on or after January 1, 2001.

This act will not require any reports by the department to the Legislature.